

### C. Term and Volume Plans

As part of its overall approach to the wholesale marketplace, Ameritech stated that it will offer both month-to-month arrangements as well as volume and term agreements which provide deeper discounts. Staff took the position that volume and term agreements are appropriate in principle, but should be examined on a case-by-case basis to ensure that the LEC does not favor its affiliates. The Company stated that it did not oppose case-by-case review where appropriate. However, the Company stated that Staff's concerns seemed far-fetched, given Ameritech's nondiscrimination obligations under both state law and the federal Act. The Company also noted that Staff had proposed volume and term agreements as a critical component of its alternative platform proposal.

TC Systems and AT&T oppose volume and term agreements in principle. TC Systems claimed that such agreements are " ... highly anti-competitive and [are] directly aimed at facilities-based competitors." AT&T claimed that volume and term agreements were inappropriate because the marketplace for wholesale services was noncompetitive.

Ameritech responded that volume and term agreements are standard service arrangements in virtually all industries. Ameritech contends that these arrangements permit the closer alignment of prices with costs, and decrease costs and uncertainty on both sides of the transaction. Ameritech also maintains that, in the telecommunications industry, the underlying carrier has an incentive to reduce its risks by filling existing capacity and assuring a more stable revenue stream. In return, the purchasing carrier benefits from lower and more certain prices. Ameritech argues that the wholesale marketplace was competitive in the sense that Ameritech must face self-supply by carriers like AT&T and MCI, as they construct their own facilities in the future and strand Ameritech's network plant. Thus, Ameritech stated that its business incentives in introducing volume and term wholesale offerings had everything to do with managing its own risks in the marketplace and nothing to do with TC Systems as a competitor for the IXCs' wholesale business.

### Commission Conclusion

The Commission believes that volume and term agreements are appropriate pricing alternatives for wholesale services. They provide benefits to both the incumbent carrier and the reseller in terms of reduced risk and lower rates, respectively. The Commission also does not want to prejudge any issue that would impact the platform offering proposed by Staff. Accordingly, if Staff or any carrier believes that a specific term and volume offering is unjust, unreasonable or discriminatory, existing

complaint and investigatory procedures are available to address such issues.

**D. Pricing of Wholesale Services and Unbundled Loops**

MFS contends that the Commission must set wholesale rates and the prices for unbundled loops in a consistent manner. Ameritech responded that there are differences in the federal pricing standards applicable to wholesale services and network elements (which would encompass unbundled loops) that may ultimately require more significant changes in unbundled loop pricing (either upward or downward). However, Ameritech committed to modify its unbundled loop prices when it files its compliance tariff after the Commission's order in this proceeding to remove avoided retail costs.

Given Ameritech's commitment, there is no need for this Commission to address this issue.

**E. Future Wholesale Prices**

Staff takes the position that its pricing methodology should be used on a going forward basis, so that wholesale prices change every time retail prices change. Ameritech took the position that requiring a lock-step relationship between wholesale and retail rates allows resellers a financial free-ride on the LEC's pricing decisions and would be inconsistent with a competitive marketplace.

The Commission concludes that Staff's pricing methodology should be adopted on a going forward basis.

**F. Directories**

Staff takes the position that Ameritech should be required to include resellers' customers in its directories at no charge for standard listings and at LRSIC plus a reasonable contribution for special listings. The Company objected to any requirement that it be the source of a single directory. However, the Company testified that Don Tech, its publisher, is willing to provide a complete range of directory services to certificated LECs on a negotiated basis.

The Commission believes that a standard directory listing is an essential and integral component of local service. Accordingly, the Commission will adopt Staff's proposal. If the Company has removed any costs for white page listings from the wholesale rates, it may add back any cost removed.

#### G. Resellers' Customer Information

AT&T takes the position that wholesale carriers should compensate resellers for use of their listing data (other than for inclusion in directories), including directory assistance whenever wholesale carriers receive compensation for the information from a third party. Staff agrees and recommends that such compensation be established through mutual negotiations, with the terms being available on non-discriminatory terms to other resellers. Ameritech did not take a position on this issue, but stated that it expects to address it in the context of the FCC's NPRM.

The Commission adopts AT&T's proposal. It is only reasonable to require wholesale carriers to compensate resellers for information they receive from the resellers and are subsequently able to sell to a third party. The fact that the wholesale carriers receive compensation for the information affirmatively demonstrates its value. We agree with Staff that the amount of compensation the reseller is to receive should be set by mutual agreement.

#### H. Qualifications to Purchase Wholesale Services and Arbitrage

Staff contends that the Commission should permit carriers with either a Section 13-404 or Section 13-405 certificate to subscribe to wholesale services (including residence wholesale services). Ameritech accepted Staff's position. Staff also contended that the Commission should maintain existing policies prohibiting arbitrage for existing class of service distinctions between residence and business services. The Company agreed with this position as well. Ameritech objected, however, to Staff's proposal that services priced separately for residence and business customers since adoption of the Alternative Regulation Plan be subject to arbitrage. The Company contended that pricing decisions relative to residence services continue to be impacted by past pricing decisions of this Commission that were intended to accomplish certain regulatory policy objectives. Furthermore, the Company argued that the residence marketplace has different demand and other characteristics than the business marketplace. Under these circumstances it would be inappropriate to permit rate arbitrage. Finally, the Company stated that its billing systems will not permit resellers to pick and choose between residence and business services and prices for the same customers.

Staff also took the position that third party auditing of reseller operations should be permitted to ensure that class of service restrictions are being observed and that the LEC should have discretion to initiate such audits. Ameritech agreed with Staff's position.

Commission Conclusion

There appears to be little dispute between the parties over these issues and Staff's position will be adopted with one exception. The Commission will maintain class of service protection against arbitrage between residence and business services regardless of when the separate residence rate was established. If any reseller wishes to resell a residence service to business customers at residence rates, it can file an appropriate request with supporting arguments.

**I. Slamming**

Staff proposed that the guidelines set out in the FCC's recent rules and regulations regarding slamming for interexchange provisions be followed for changing local exchange service provides, pending adoption of specific rules by this Commission. Staff also supported Ameritech's proposal to charge a \$50 fee for slamming to offset the LEC's costs.

The Commission adopts both proposals.

**J. Obligations of Resellers**

Staff contends that neither the service obligations of resellers nor a reciprocal obligation to provide wholesale services by new LECs should be addressed in this docket and should be considered instead in a rulemaking proceeding addressing the rights and responsibilities of the new LECs. Ameritech found Staff's proposal to be reasonable.

The Commission agrees that these issues should be addressed in a rulemaking proceeding. The Commission hereby directs Staff to address the service obligations of resellers and the obligations of new LECs to provide wholesale services in a proceeding, consistent with our order in the Customers First proceeding. The Commission notes that several workshops have been held. New LEC responsibilities should be resolved promptly since companies may be making substantial investments in the marketplace without a clear understanding of their responsibilities.

**K. Resellers Defaulting on Wholesale Service Bills**

Staff took the position that the incumbent LEC should be allowed to terminate service to resellers which fail to pay their wholesale bills and that the resellers' end users should then be served directly by the incumbent LEC. Ameritech supported Staff's position.

The Commission adopts Staff's and Ameritech's position.

**L. Notice Requirements**

Staff opposed Ameritech's proposal that serving carriers notify one another of defaulting customers with unpaid balances, using the wholesale LEC as a clearing house, to protect the industry from unscrupulous end users who switch from one LEC to another. The Company responded to Staff's concerns by changing the proposed procedures to reduce the 36-hour lag provided in its original plan.

The Commission adopts Ameritech's modified notification process. The industry should be permitted to protect itself against consumer fraud and increasing bad debt levels as long as such measures are reasonable. The Commission concludes that Ameritech's modified proposal is reasonable.

**M. Publishing Names of Alternative LECs in Wholesale LECs' Phone Books**

Staff took the position that incumbent LECs should be required to publish the names of alternative LECs in their telephone directories, subject to reasonable compensation.

Again, Ameritech stated that Don Tech is willing to provide such services on a negotiated basis.

Based on the foregoing, the Commission will not address this issue at this time.

**N. Retention of a Customer's Phone Number in a Resale Environment**

Staff and Ameritech agreed that customers should be able to move between providers without a number change in a resale environment. However, Staff contended that all issues related to number portability in a resale environment should be addressed in Docket 96-0128. The Company disagreed, stating that this is a simple issue in a resale environment and should be resolved in this proceeding.

The Commission agrees that this issue can be resolved now. The Commission will require that customers be allowed to retain their telephone numbers when switching from incumbent carriers to resellers, from resellers back to incumbent carriers and between resellers.

O. Joint Marketing Restrictions

Staff took the position that Ameritech should not be permitted to include a joint marketing restriction in its tariff, given the passage of the federal Act which includes such a restriction as a matter of federal law. The Company agreed during the proceeding to remove the joint marketing restriction from its tariff for precisely this reason.

There is no need for the Commission to address this issue in view of Ameritech's commitment.

P. Citizens Utility Board's Customer Protection Recommendations

CUB argues that the Commission should not promote cherry picking by competitors. Staff agrees with CUB that the local exchange market should not be structured in a manner that allows carriers to cream skim because of regulatory policies placed on the incumbent providers. The Commission is of the opinion that Staff's proposed pricing methodology acknowledges the retail pricing structure of the wholesale LEC and prevents such cream skimming.

CUB proposed five safeguards. These proposals are beyond the scope of this proceeding. It is Staff's position that the appropriate place to address these issues is in the current workshops examining rules and regulations applicable to new LECs. The Commission agrees.

CUB also proposed that new entrants with 35 percent or more market share should be regulated as a dominant carrier. Staff opposes CUB's proposal. The PUA only makes two distinctions: LECs and LECs with less than 35,000 access lines; and noncompetitive and competitive services.

The Commission agrees with Staff and rejects CUB's proposal.

IX. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein, and being fully advised in the premises thereof, is of the opinion and finds that:

- (1) AT&T Communications of Illinois, Inc. is an Illinois Corporation engaged in the business of providing telecommunications services to the public in the State of Illinois and, as such, is a telecommunications carrier within the meaning of Section 13-202 of the Illinois Public Utilities Act;

- (2) LDDS WorldCom, f/k/a LDDS Communications, Inc., d/b/a LDDS Metromedia Communications ("LDDS") is an Illinois Corporation engaged in the business of providing telecommunications services to the public in the State of Illinois and, as such, is a telecommunications carrier within the meaning of Section 13-202 of the Illinois Public Utilities Act;
- (3) Illinois Bell Telephone Company d/b/a Ameritech Illinois, is an Illinois Corporation engaged in the business of providing telecommunications services to the public in the State of Illinois and, as such, is a telecommunications carrier within the meaning of Section 13-202 of the Illinois Public Utilities Act;
- (4) Central Telephone Company of Illinois is an Illinois Corporation engaged in the business of providing telecommunications services to the public in the State of Illinois and, as such, is a telecommunications carrier within the meaning of Section 13-202 of the Illinois Public Utilities Act;
- (5) the Commission has jurisdiction over Ameritech Illinois and Central Telephone Company and the subject matter of this proceeding;
- (6) the recital of facts and law and conclusions reached in the prefatory portion of this Order are supported by the evidence of record, and are hereby adopted as findings of fact and conclusions of law for the purposes of this Order;
- (7) the wholesale tariff proposed by Ameritech Illinois, which limits the wholesale services to be provided by Ameritech Illinois, contains inappropriate rate structures and price levels that are above the levels proscribed by the federal Act and should be rejected as inconsistent with the mandates of the federal Act, as well as being inconsistent with the Commission's stated long-term goal of developing local exchange competition;
- (8) Ameritech Illinois should be directed to make changes in its proposed wholesale tariff to conform with the proposed tariff submitted by AT&T, subject to the modifications and directives of this Commission and the methodology as set forth in the prefatory portions of this Order, including but not limited to the following:
  - a. Ameritech Illinois and Central Telephone Company of Illinois are required to include, as a part of

their total service resale offering, all telecommunications services offered to end users at retail, excluding promotional offerings, any portion of a service package and carrier access service;

- b. Ameritech Illinois and Central Telephone Company of Illinois are required in their wholesale tariffs to mirror and replicate in total their retail rate schedules and structures, including all discounts in their retail offerings to end users;
- c. Ameritech Illinois and Central Telephone Company of Illinois are directed to conform their costing and pricing methodologies with Section 252(d)(3) of the federal Act, as discussed above in the prefatory portions of this Order, including the pro rata pricing methodology presented by Staff and reflected on ICC Staff Ex. 1.05;
- d. Ameritech Illinois and Central Telephone Company of Illinois must apply the pro rata methods on an individual service-by-service-element basis;
- e. Ameritech Illinois and Central Telephone Company of Illinois shall be required to perform and pass imputation tests with respect to their wholesale services;
- f. the wholesale services should be treated as "new" services for purposes of Ameritech's Alternative Regulatory Plan and shall be assigned to the "carrier" basket;
- g. Any revenue shortfall associated with Ameritech Illinois' wholesale service shall not receive exogenous treatment under Ameritech's Alternative Regulatory Plan;
- h. Ameritech Illinois and Central Telephone Company of Illinois are required to provide to resellers, as an integral part of their resale service offerings, all operational interfaces, at parity with those provided their own retail customers, whether directly or through an affiliate;
- i. in the event that Ameritech Illinois and Central Telephone Company of Illinois are unable to fully and immediately comply with the parity requirement for operational interfaces, they are required to



submit a written plan, within thirty (30) days of this Order, including specific plans and a timetable for achieving full compliance. Following that filing the Commission will consider a schedule of incentive discounts to encourage prompt and complete compliance;

- (9) To the extent consistent with our findings and conclusions herein, the petition of LDDS WorldCom should be granted:
- (10) Ameritech Illinois and Central Telephone Company of Illinois shall file tariffs within 30 and 90 days, respectively, consistent with Staff's local switch platform proposal;
- (11) Ameritech Illinois and Central Telephone Company of Illinois shall file tariffs within 30 and 90 days, respectively, for unbundled transport.
- (12) Ameritech Illinois and Central Telephone Company of Illinois shall file their wholesale service tariffs in compliance with this Order on not less than 15 days notice.
- (13) Ameritech Illinois and Central Telephone Company of Illinois shall file their local switch platform and unbundled transport tariffs in compliance with this Order on not less than 45 days notice.
- (14) Issues relating to the pricing of the local switch platform should be deferred until said issues are addressed in the proceedings pertaining to the tariffs filed pursuant to Finding (10) herein; and
- (15) Any objections, motions or petitions filed in this proceeding which remain undisposed of should be disposed of in a manner consistent with the ultimate conclusions herein contained.

IT IS FURTHER ORDERED that AT&T's petition in Docket No. 95-0458 is granted to the extent described above.

IT IS FURTHER ORDERED that the petition of LDDS WorldCom in Docket No. 95-0531 is granted to the extent described above, and determination of the pricing issues is deferred to the separate proceedings resulting from the Ameritech and Centel tariffs filed in response to, and as provided in this Order.

IT IS FURTHER ORDERED that Ameritech Illinois and Central Telephone Company of Illinois, within 30 days and 90 days respectively, should file tariffs to implement the platform proposal of LDDS, as modified by the Commission Staff and set forth in the prefatory portion of this Order.

IT IS FURTHER ORDERED that Ameritech Illinois and Central Telephone Company of Illinois, within 30 days should file their wholesale service tariffs in compliance with this Order.

IT IS FURTHER ORDERED that Ameritech Illinois and Central Telephone Company of Illinois, within 30 days and 90 days, respectively, should file tariffs for unbundled transport.

IT IS FURTHER ORDERED that Ameritech Illinois and Centel Telephone Company of Illinois should file its local switch platform and unbundled transport tariffs in compliance with this Order on not less than 45 days notice.

IT IS FURTHER ORDERED that all motions, petitions and tariffs not previously disposed of are hereby disposed of consistent with the findings of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 26th day of June, 1996.

(SIGNED) Dan Miller

Chairman

(S E A L)

Commissioner Kolhauser dissented; a written opinion will be filed.

Commissioners Kretschmer and McDermott concurred; a written opinion will be filed.